

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

January 30, 2013

MOTOR CARRIER MATTER

☐

DOCKET NO.

2012-177-WS

UTILITIES MATTER

☒

ORDER NO.

**SUBJECT:**

[DOCKET NO. 2012-177-WS](#) - Application of Tega Cay Water Service, Incorporated for Adjustment of Rates and Charges and Modifications of Certain Terms and Conditions for the Provision of Water and Sewer Service – A Hearing was Held on this Matter. This Matter is Ready for Final Disposition.

**COMMISSION ACTION:**

In Docket No. 2012-177-WS, Tega Cay Water Service, Inc. seeks increases in rates and charges for water distribution service and sewer service. We held a two-day merits hearing in this matter on January 8th and 9th, as well as a public hearing in the Tega Cay service area on December 3, 2012. This was a vigorously contested case in which we saw an extraordinary level of participation from the ratepayers, both at the public hearing in Tega Cay, and at the merits hearing in Columbia. The Applicant has sought to have us strike much of the public testimony from the record of this case, but we decline to do so. As the recognized expert designated by law to make factual determinations in utility cases, the Commission has broad discretion to admit public testimony into evidence and assign to it appropriate weight.

This case presents the Commission with difficult choices. We heard, loud and clear, the protests by the ratepayers of the requested rate hike. We are sympathetic to their arguments that their rates are already comparatively high, and that there have been myriad service problems with the Applicant. But we also heard objective, quantifiable evidence from the Company, verified by the South Carolina Office of Regulatory Staff, demonstrating that the Company requires additional revenue to pay for its operations and past expenditures and to receive a just and reasonable rate of return. The South Carolina Supreme Court, in its recent decision reversing this Commission's denial of a rate increase sought by Utilities Services of South Carolina, Inc., has held that there is a presumption of reasonableness as to the Company's expenditures.

Following the completion of the merits hearing, the Company and the Office of Regulatory Staff each submitted proposed orders based upon the evidence in the record of the case. In its proposal, the Office of Regulatory Staff recommended a return on equity of 9.00%, and an operating margin of 11.60%. This results in additional service revenue of \$361,042. In the Company's latest proposed order, the return on equity was 10.86%, the operating margin was 14.34%, and the additional revenue figure was \$477,235.

We have thoroughly reviewed the evidence in the record of this case and compared the analysis and resulting numbers contained in the proposals by the parties. While we remain very troubled by much of the public testimony regarding various problems with the Applicant's quality of service, we reluctantly adopt, in principle and result, the position of the Office of Regulatory Staff as reflected in its proposed Order, as we believe that recent precedent from the South Carolina Supreme Court compels us to grant rate relief in this case.

Our granting of rate relief in this case must not be construed as an expression of satisfaction with the Applicant's operations. We acknowledge that the record shows that improvements have been

made since the last rate proceeding, and the Company has been more forthcoming in responding to the Commission's concerns, but we urge the Office of Regulatory Staff to remain vigilant in its monitoring of the Company's operations to ensure continued improvement. We note that the Company has promised to continue making improvements both to its facilities and infrastructure and to its level of customer service. We are also aware of recent sewer overflow problems subsequent to the merits hearing in this case which cause us great concern. Accordingly, we take this opportunity to request that the ORS conduct such inspections, audits, and examinations necessary to ensure that the Company takes all measures needed to continue these improvements. We further request that ORS provide the Commission with a written report covering the time from the end of the merits hearing on January 9<sup>th</sup> for a period of 9 months thereafter. Such report would be due 30 days after the end of the reporting period, and should include a recommendation as to whether, pursuant to PSC Regulation 103-858 (A), the ORS believes that a status report hearing proceeding should be held to accept testimony from public witnesses, the Company and ORS regarding the service experience in Tega Cay for that period. After a review of the ORS report, the Commission will then make its determination as to whether there is a need to schedule such a hearing, possibly in the service area.

PRESIDING: Wright

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
FLEMING	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Absent</u>
MITCHELL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	FSL
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: J. Schmieding

